

Committee on Resources

Subcommittee on Fisheries Conservation, Wildlife and Oceans

Witness Statement

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**Before the Subcommittee on Fisheries Conservation, Wildlife and
Oceans**

Committee on Resources, U.S. House of Representatives

Comments on Prior Pribilof Island Services Studies

Hearings on Pribilof Islands Transition Act

July 29, 1999

Introduction

I was the primary consultant on two studies in 1980 and 1983 regarding the potential transfer of federal services and facilities to the local communities in the Pribilof Islands. I have been asked by representatives of the City of St. Paul and other Pribilof Island organizations to comment on the results of those studies as they relate to the expectations at that time for the economic outlook for the Pribilof Island communities. My comments are summarized here in terms of:

Executive Summary

My Involvement

Economic Scenarios Considered

Categories of Need

Projected Use of Trust Funds

Major Conclusions of Analysis

Executive Summary

Studies were conducted for the National Marine Fisheries Service (NMFS) in 1980 and 1983 to assess plans for NMFS to withdraw from management of the Pribilof Islands.

Prior to the NMFS withdrawal on October 29, 1983, the islands of St. Paul and St. George and their economies were directly controlled by NMFS through the Pribilof Islands Program related to the commercial harvest of the Northern Fur Seal.

The 1983 study assumed an immediate and complete withdrawal of NMFS, the establishment of a \$20 million trust fund and a \$2 million emergency repair grant program.

The conclusion of the 1983 study was that the \$20 million trust fund (\$12 million for St. Paul and \$8 million for St. George) and \$2 million emergency appropriation (\$1 million for each island) for infrastructure could be adequate for a period of up to 7-10 years for income maintenance and a limited phased program of infrastructure repair.

The 1983 study further concluded that after the transition period, significant infrastructure needs would remain, and would have to be funded from non-local sources or benefits of economic development. Total infrastructure needs on St. Paul were estimated in a separate study in 1983 to be \$150.7 million.

My Involvement with Relevant Studies

I was the project manager and principal author of two studies prepared for the National Marine Fisheries Services (NMFS) regarding federal facilities on the Pribilof Islands.

Pribilof Island Services Plan

Management and Planning Services

December 1980

At that time I was Director of Impact Analysis for Management and Planning Services.

Federal Phase-Out Program

Pribilof Islands

Williams-Kuebelbeck and Assoc.

November 1983

At that time, I was a principal at Williams-Kuebelbeck and Assoc.

I continue to work as a consulting economist regarding socioeconomic, land use, and fiscal issues.

Purpose of Analyses

Both studies addressed the feasibility of transferring Federal facilities and services to local organizations on St. Paul and St. George Islands. The 1980 study was intended to identify whether services and facilities could be transferred, when the transfer could occur, and any conditions which must be met. It was assumed that NMFS would continue to operate the fur seal harvest program and maintain a presence on the islands. As services were transferred, NMFS would subsidize the local communities. At the end of a transition period, there would be additional income in the community as a result of economic development.

On the other hand, in the 1983 study, it was assumed that:

all facilities and services would be transferred,

NMFS would not maintain an ongoing presence,

a \$20 million trust fund would be available for deficits or subsidies, and

boat harbors on each island would provide an economic base.

The purpose of the 1983 study was to assist in exploring issues related to the transfer, with a focus on how the trust funds could be spent during the transition period.

Economic Scenarios Considered

Each study considered alternative economic scenarios to address the impact of uncertain outcomes. The 1983 study was explicit in identifying and considering three scenarios:

Conservative: Completion of harbors by 1991

Moderate: Completion of harbors by 1989

Optimistic: Completion of harbors by 1987

Once the harbors were complete, a private fishing industry would develop, providing jobs for local residents and tax revenues to support local government facilities and services. The projections regarding economic conditions after the harbors were completed were based on two studies:

Economic Strategic Plan, St. Paul Island

Economic Development, St. George Island

Both studies were completed in June 1983 by Dames and Moore. These reports provided projections of fish catch levels and values, wages and salaries, and taxes associated with the fishing industry.

Categories of Need

Three broad categories of need were considered, at least implicitly, in both studies: income maintenance,

public facility upgrades, and economic development. The treatment of these needs in the 1983 study is summarized below.

Income Maintenance

NMFS was the major employer and source of household income on each island. As services were assumed to be transferred to the municipalities, additional funding would be necessary to maintain wages and personal income at current levels. The amount of this funding was estimated and identified as one category of need during the transition period.

Facility Upgrade

The 1983 study relied on a separate study by Thomas D. Humphrey for estimates of facility needs and costs for St. Paul. There was no comparable study done for St. George. It was assumed that the needs were similar and would be dealt with in a similar fashion.

The Humphrey study identified infrastructure needs in St. Paul to be \$150.7 million.

Emergency Repairs	\$2.5 million
Safety Code Violations	1.5
Remedial Repairs	8.9
Economic Development	60.1
Replace Existing Facilities	21.1
Infrastructure Operations	56.6
	\$150.7

The 1983 study did not attempt to verify this estimate, but considered how projects could be prioritized, which items could be deferred, and items that might be funded from outside sources.

Emergency Repairs - could be funded at least partially from a \$2 million emergency appropriation with the balance phased over 10 years.

Code Violations - could be funded partially with the emergency appropriation, and the balance phased over 10 years.

Remedial Repairs - could be funded by the State or phased over 10 years.

Economic Development - would be funded by the State (airport and harbor) or with revenues from associated economic development.

Replacement of Existing Facilities - would be minimized by the upgrades described above.

Operating Costs - should be funded from charges for services. The analysis did not consider the level of charges or their impact on households.

Economic Development

Investment in economic development (as identified as above) included major airport and harbor facilities, as well as additions to other infrastructure capacity. It was assumed that the State would fund the former, while the latter would be funded by revenues from the associated economic development.

Projected Uses of Trust Fund

A \$20 million trust fund (\$12 million for St. Paul and \$8 million for St. George) and a \$2 million emergency appropriation (split between the islands) for infrastructure repairs had already been proposed prior to the 1983 study. The 1983 study provided an estimate of how the categories of need could be met under the different economic scenarios. In the case of St. Paul, the disbursement projections can be summarized as follows:

	(Millions of Dollars)		
	Conservative 1984 - 1991	Moderate	Optimistic
		1984 - 1993	1984 - 1988
Disbursements			
Income Maintenance	\$11.3	\$10.0	\$0.4
Facilities	6.3	8.6	15.0
Subtotal	17.6	18.6	15.4
Receipts			
Interest Income	5.6	6.6	3.4
Net Disbursements	12.0	12.0	12.0

The patterns are similar for St. George, with total net disbursements of \$8.0 million.

As shown, the amount of the trust fund available for facilities investment, after income maintenance, was estimated to be \$6.3 to \$8.6 million in the conservative and moderate cases, and \$15 million in the optimistic case. After the transition period, it was assumed that the remaining infrastructure needs would be funded from non-local sources or from income associated with economic development. By the end of transition, all trust fund monies would have been spent on income maintenance or infrastructure repairs, except under the optimistic scenario, where some portion of facility investment might include economic development.

The boat harbors on each island were apparently completed in 1990, an outcome equivalent to something between the conservative and moderate cases. I have not reviewed how the trust fund monies were actually spent.

Major Conclusions

The major conclusion of each study was that the local community on each island could assume the responsibility for services if adequate funding were available through subsidies or the benefits of economic development.

The conclusion of the 1983 study was that the \$20 million trust fund and \$2 million emergency

appropriation for infrastructure would be adequate for income maintenance and a phased program of infrastructure repair, if remaining needs after transition were funded from the benefits of economic development or non-local funding sources. The trust fund monies themselves were far less than the identified needs.

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